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**Chez Hope, Inc.**

**Financial Report  
Year Ended June 30, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-15-06

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# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA\*  
Russell F. Champagne, CPA\*  
Victor R. Slaven, CPA\*  
Conrad O. Chapman, CPA\*  
P. Troy Courville, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*

WEB SITE:  
WWW.KCSRCPAS.COM

Robert S. Carter, CPA  
Allen J. LaBry, CPA  
Harry J. Clostio, CPA  
Al Leger, CPA  
Penny Angelle Scruggins, CPA  
Christine L. Cousin, CPA  
Mary T. Thibodeaux, CPA  
Kelly M. Doucet, CPA  
Kenneth J. Rachal, CPA  
Cheryl L. Bartley, CPA, CVA  
Mandy B. Self, CPA

MEMBER OF:  
  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

\* A Professional Accounting Corporation

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Chez Hope, Inc.  
Franklin, Louisiana

We have audited the accompanying statement of financial position of Chez Hope, Inc., as of June 30, 2005, and the related statements of activity and changes in net assets, functional expenses, and cash flows, for the year then ended as listed in the table of contents. These financial statements are the responsibility of Chez Hope, Inc.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chez Hope, Inc., and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 5, 2005 on our consideration of Chez Hope, Inc.'s internal control over financial reporting and our tests on certain provisions of its compliance with laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be evaluated in conjunction with this report in considering the results of the engagement.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City Louisiana  
October 5, 2005

183 South Beadle  
Lafayette, LA 70508  
Phone (337) 232-4141  
Fax (337) 232-8660

113 East Bridge Street  
Breaux Bridge, LA 70517  
Phone (337) 332-4020  
Fax (337) 332-2867

133 East Waddil  
Marksville, LA 71351  
Phone (318) 253-9252  
Fax (318) 253-8681

1234 David Drive, Suite 105  
Morgan City, LA 70380  
Phone (985) 384-2020  
Fax (985) 384-3020

408 W. Cotton Street  
Ville Platte, LA 70586  
Phone (337) 363-2792  
Fax (337) 363-3049

332 W. Sixth Avenue  
Oberlin, LA 70655  
Phone (337) 639-4737  
Fax (337) 639-4568

200 South Main Street  
Abbeville, LA 70510  
Phone (337) 893-7944  
Fax (337) 893-7946

## **FINANCIAL STATEMENTS**

CHEZ HOPE, INC.

Statement of Financial Position  
June 30, 2005

Assets

Current assets	
Cash	\$ 19,459
Grants receivable	49,506
Prepaid expenses	<u>7,326</u>
Total current assets	76,291
Property and equipment, net	<u>247,351</u>
Total assets	<u>\$ 323,642</u>

Liabilities and Net Assets

Current liabilities	
Demand note payable	\$ 6,068
Current portion of notes payable	376
Accounts payable	16,852
Accrued expenses	<u>4,150</u>
Total current liabilities	27,446
Notes payable, less current maturities	<u>16,946</u>
Total liabilities	<u>44,392</u>
Net Assets	
Unrestricted net assets	31,899
Temporarily restricted net assets	<u>247,351</u>
Total net assets	<u>279,250</u>
Total liabilities and net assets	<u>\$ 323,642</u>

*The accompanying notes are an integral part of this statement.*

CHEZ HOPE, INC.

Statement of Activity and Changes in Net Assets  
Year Ended June 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Increases in Net Assets:			
Support:			
Federal Financial Assistance			
Office of Women's Services - Federal	\$ -	\$ 83,996	\$ 83,996
Louisiana Coalition Against Domestic Violence - TANF	-	7,086	7,086
Louisiana Coalition Against Domestic Violence - RPAP	-	9,205	9,205
Louisiana Commission on Law Enforcement	-	62,952	62,952
Louisiana Commission on Law Enforcement VAWA	-	14,534	14,534
Department of Social Services - Emergency Shelter Grant	-	12,551	12,551
State Financial Assistance			
Office of Women's Services - State	-	155,327	155,327
Local and Private Assistance			
United Way	46,530	-	46,530
Office of Women's Services - Marriage License	-	15,258	15,258
St. Mary Parish Government	-	27,503	27,503
Louisiana Bar Foundation	-	8,510	8,510
Acadiana Legal Services	3,546	-	3,546
Lafayette Parish School Board	1,477	-	1,477
Lafourche Parish Sheriff	-	28,046	28,046
Total support	<u>51,553</u>	<u>424,968</u>	<u>476,521</u>
Revenues:			
Batterer fees	39,409	-	39,409
Other	43,318	-	43,318
Fundraising	9,587	-	9,587
Donations	<u>19,591</u>	<u>-</u>	<u>19,591</u>
Total Revenue	<u>111,905</u>	<u>-</u>	<u>111,905</u>
Total support and revenue	163,458	424,968	588,426
Assets released from restrictions	<u>416,784</u>	<u>(416,784)</u>	<u>-</u>
Total increases in net assets	<u>580,242</u>	<u>8,184</u>	<u>588,426</u>
Decreases in unrestricted net assets:			
Program services	454,300	-	454,300
Supporting services	128,838	-	128,838
Fundraising	<u>2,771</u>	<u>-</u>	<u>2,771</u>
Total decrease in net assets	<u>585,909</u>	<u>-</u>	<u>585,909</u>
Net increase in net assets	(5,667)	8,184	2,517
Net assets, beginning, as restated	<u>37,566</u>	<u>239,167</u>	<u>276,733</u>
Net assets, ending	<u>\$ 31,899</u>	<u>\$ 247,351</u>	<u>\$ 279,250</u>

*The accompanying notes are an integral part of this statement.*

CHEZ HOPE, INC.

Statement of Functional Expenses  
Year Ended June 30, 2005

	Program Services	Support Services	Fundraising	Totals
Automobile	\$ 5,011	\$ 2,687	\$ -	\$ 7,698
Bank charges	285	301	-	586
Building and auto interest	-	2,558	-	2,558
Childrens' program	5,470	6,728		12,198
Client expenses	8,694	2,652	-	11,346
Conferences and training	4,466	214	-	4,680
Contract labor	18,155	260	-	18,415
Depreciation expense	-	21,917	-	21,917
Dues and subscriptions	15	1,560	-	1,575
Equipment rent and maintenance	3,499	617	-	4,116
Fund raising expenses	-	-	2,771	2,771
Insurance	36,117	13,333	-	49,450
Library	-	205	-	205
Miscellaneous	68	126	-	194
Office supplies	11,115	7,299	-	18,414
Postage and delivery	4,093	1,088	-	5,181
Printing and reproduction	3,248	517	-	3,765
Professional fees	14,099	8,351	-	22,450
Rent	130	260	-	390
Repairs and maintenance	28,799	15,979	-	44,778
Retirement contributions	-	894	-	894
Salaries	248,643	25,644	-	274,287
Taxes - payroll	25,968	3,299	-	29,267
Telephone	11,031	7,307	-	18,338
Travel and entertainment	4,804	26	-	4,830
Utilities	20,590	5,016	-	25,606
	<u>\$ 454,300</u>	<u>\$ 128,838</u>	<u>\$ 2,771</u>	<u>\$ 585,909</u>

*The accompanying notes are an integral part of this statement.*

CHEZ HOPE, INC.

Statement of Cash Flows  
Year Ended June 30, 2005

OPERATING ACTIVITIES

Revenue collected	615,619
Payments for program services	(453,158)
Payments for support services	(135,145)
Payments for fundraising	<u>(2,771)</u>
Net cash provided by operating activities	<u>24,545</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition/Construction of capital assets	(19,188)
Interest and fiscal charges paid	<u>(6,690)</u>
Net cash used for capital and related financing activities	<u>(25,878)</u>

Net decrease in cash	(1,333)
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Cash, beginning	<u>20,792</u>
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Cash, ending	<u>\$ 19,459</u>
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Reconciliation of income from operations to net cash provided by operating activities:

Income from operations	\$ 2,517
Adjustments to reconcile decrease in net assets to net cash provided by operating activities -	
Depreciation	21,917
Increase or decrease in:	
Accounts receivable	27,193
Prepaid expenses	(1,378)
Accounts payable	(26,846)
Notes payable	<u>1,142</u>
Net cash used for operating activities	<u>\$ 24,545</u>

*The accompanying notes are an integral part of this statement.*



CHEZ HOPE, INC.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

A. Organization

Chez Hope, Inc. is a not-for-profit "domestic violence" program, which provides assistance through counseling and advocacy, both emergency and non-emergency to battered persons and their children.

Chez Hope, Inc. also operates a separately located program known as the Batterers Intervention Program for the purpose of counseling the batterer in a group setting. The batterer is responsible for paying for their sessions. Most participants in the program are court ordered.

B. Basis of Accounting

The financial statements of Chez Hope, Inc. have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

C. Basis of Presentation

Chez Hope, Inc.'s financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of financial Accounting Standards (SAFS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

*Unrestricted Net Assets* – limited only by the broad limits resulting from the nature of the organization, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws and limits resulting from contractual agreements with suppliers, creditors and others entered into by the organization in the course of its business.

*Temporarily Restricted Net Assets* – assets whose restrictions lapse with the passage of time.

*Permanently Restricted New Assets* – assets whose restrictions do not lapse with the passage of time.

Presently Chez Hope, Inc. has unrestricted and temporarily restricted net assets.

CHEZ HOPE, INC.

Notes to the Financial Statements (continued)

D. Contributions

Contributions are recognized when a donor makes a promise to give. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

E. Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over three years for vehicles, seven years for furniture and equipment, ten years for leasehold improvements and thirty years for buildings. Chez Hope, Inc. maintains a threshold level of \$500 or more for capitalizing capital assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of activity for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

All capital assets of a non-profit organization must be used in a non-profit capacity upon dissolution of the corporation.

F. Income Taxes

Chez Hope, Inc. is operating under Section 501(c)(3) of the Internal Revenue Code, and is generally exempt from federal, state and local income taxes. Accordingly, no provision for income taxes is included in the financial statements. This non-profit organization has been classified as an organization that is not a private foundation under Sec 509(A).

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, Chez Hope, Inc. considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At June 30, 2005 all of Chez Hope's cash balance was secured by Federal Depositary Insurance (FDIC).

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CHEZ HOPE, INC.

Notes to the Financial Statements (continued)

I. Annual and Sick Leave

Chez Hope, Inc. accrues vacation on all full-time employees at a rate of one day per month (12 days annually). Employees can carry a maximum of ten days leave to the following calendar year. Full time employees are also allowed to carry a maximum of fifteen days of sick leave to the following year. When an employee is terminated, the amounts for accrued vacation are remitted to the terminated employee.

These financial statements contain an accrual for accumulated vacation. The amount of accumulated sick time is not reflected in these statements due to the inability of an employee to be paid for this time upon termination.

(2) Grants Receivable

Chez Hope, Inc. had the following amounts receivable from grants at June 30, 2005:

Office of Women's Services	\$ 34,565
Louisiana Commission Law Enforcement	
ELEC	4,803
VAWA	2,900
United Way	4,849
Lafourche Parish Sheriff	2,389
Total	<u>\$ 49,506</u>

(3) Prepaid Expenses

The balance of \$7,326 represents Chez Hope, Inc.'s prepayment of general liability, auto, property and workers' compensation insurance.

CHEZ HOPE, INC.

Notes to the Financial Statements (continued)

(4) Property and Equipment

Property and equipment consists of the following:

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Land	\$ 26,250	\$ (9,750)	\$ -	\$ -	\$ 16,500
Buildings	213,315	-	-	-	213,315
Office furniture and equipment	79,847	(68,217)	23,608	-	35,238
Motor vehicles	27,661	11,165	-	-	38,826
Leasehold improvements	<u>55,521</u>	<u>3,050</u>	<u>6,492</u>	<u>-</u>	<u>65,063</u>
Total	<u>\$ 402,594</u>	<u>\$ (63,752)</u>	<u>\$ 30,100</u>	<u>\$ -</u>	<u>\$ 368,942</u>
Accumulated depreciation	<u>\$ 122,077</u>	<u>\$ (22,403)</u>	<u>\$ 21,917</u>	<u>\$ -</u>	<u>\$ 121,591</u>

The current year additions include donated furniture and equipment in the amount of \$10,913.

(5) Accrued Expenses

Accrued expenses, at June 30, 2005, consisted of the following:

Payroll tax liabilities	<u>\$ 4,150</u>
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(6) Demand Note Payable

The balance in demand note payable of \$6,068 represents a line of credit, due in monthly installments, bearing interest at 7% per annum.

CHEZ HOPE, INC.

Notes to the Financial Statements (continued)

(7) Notes Payable

Notes payable consist of the following:

Note payable to Regions Bank at 9.10% per annum, due in monthly installments of \$347, maturing in February of 2010, secured by property.	\$ 16,946
Note Payable to Regions Bank at 7.50% per annum, due in monthly installments of \$376, maturing in August of 2005, secured by property.	<u>376</u>
Total notes payable	<u>\$ 17,322</u>

Principal maturities of notes payable are indicated below:

<u>Year</u>	<u>Amount</u>
2006	\$ 3,363
2007	3,211
2008	3,452
2009-2010	<u>7,296</u>
	<u>\$ 17,322</u>

(8) Concentrations

The Chez Hope, Inc. receives eighty-seven percent of its revenues from federal and state grantors.

(9) Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Department of Justice and Department of Health and Hospitals TANF grants. Any disallowed claims including amounts already collected, may constitute a liability of applicable funds. The amount, if any, or expenditures which may be disallowed by the grantor cannot be determined at this time; although Chez Hope, Inc. expects such amounts, if any, to be immaterial.

CHEZ HOPE, INC.

Notes to the Financial Statements (continued)

(10) Prior Period Adjustment

Certain errors resulting in the understatement of net assets in Chez Hope, Inc.'s previously issued financial statements have been corrected in the current year. The corrections resulted in a decrease in net assets in the amount of \$30,236 as follows:

Balance as of June 30, 2004	\$ 306,969
Remove assets which could not be located	(41,349)
Add note payable which was not Chez Hope, Inc.'s liability	11,113
Retained Earnings, restated	<u>\$ 276,733</u>

## **SUPPLEMENTAL INFORMATION**

CHEZ HOPE, INC.

Statement of Functional Expenses by Funding Agency  
Program Services  
Year Ended June 30, 2005

	LA Office of Women's Services	LA Coalition Against Domestic Violence TANF	LA Commission on Law Enforcement Crime Victims	LA Commission on Law Enforcement Crime Victims	Emergency Shelter Grant	LA Coalition Against Domestic Violence RPAP	United Way	St. Mary Parish Government	Lafourche Parish Government	LA Bar Foundation	Batter Intervention Program	Total Program Services
Automobile	\$ 774	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,167	\$ 70	\$ -	\$ -	\$ -	\$ 5,011
Bank charges	-	-	-	-	-	-	-	-	-	-	285	285
Children's program	5,470	-	-	-	-	-	-	-	-	-	-	5,470
Client expenses	4,159	-	-	-	383	4,158	-	(6)	-	-	-	8,694
Conferences and training	3,735	266	-	-	-	-	-	-	-	-	465	4,466
Contract labor	830	-	-	-	-	-	-	-	-	-	17,325	18,155
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	15	15
Equipment rent and maintenance	-	-	-	-	3,454	-	-	-	-	-	45	3,499
Insurance	24,209	-	-	-	-	-	8,918	2,517	-	-	473	36,117
Miscellaneous	-	-	-	-	-	-	38	-	-	-	30	68
Office supplies	6,941	41	-	652	1,401	-	155	-	328	-	1,597	11,115
Postage and delivery	3,905	-	-	-	-	-	-	-	-	-	188	4,093
Printing and reproduction	3,187	-	-	-	-	-	-	-	-	-	61	3,248
Professional fees	3,675	-	-	-	-	-	8,504	-	-	-	1,920	14,099
Rent	130	-	-	-	-	-	-	-	-	-	-	130
Repairs and maintenance	24,615	-	-	-	-	-	1,929	2,195	-	-	60	28,799
Salaries	76,486	50,379	14,759	58,032	-	-	-	-	26,069	5,626	17,292	248,643
Taxes - payroll	16,356	4,595	-	1,098	-	-	-	-	2,327	-	1,592	25,968
Telephone	8,471	-	-	-	-	-	-	489	-	-	2,071	11,031
Travel and entertainment	1,850	404	-	-	-	-	863	-	-	-	1,687	4,804
Utilities	17,820	-	-	-	1,166	1,329	-	275	-	-	-	20,590
	<u>\$ 202,613</u>	<u>\$ 55,685</u>	<u>\$ 14,759</u>	<u>\$ 59,782</u>	<u>\$ 6,404</u>	<u>\$ 5,487</u>	<u>\$ 24,574</u>	<u>\$ 5,540</u>	<u>\$ 28,724</u>	<u>\$ 5,626</u>	<u>\$ 45,106</u>	<u>\$ 454,300</u>

See accountant's report.



**INTERNAL CONTROL  
AND  
COMPLIANCE AND OTHER MATTERS**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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WEB SITE:  
WWW.KCSRPCAS.COM

MEMBER OF:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors  
Chez Hope, Inc.  
Franklin, Louisiana

We have audited the financial statements of Chez Hope, Inc. as of and for the year ended June 30, 2005, and have issued our report thereon dated October 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chez Hope, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Chez Hope, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition noted is described in the accompanying corrective action plan for current year findings as Item 2005-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition referred to previously is considered to be a material weakness.

183 South Beadle  
Lafayette, LA 70508  
Phone (337) 232-4141  
Fax (337) 232-8660

113 East Bridge Street  
Breaux Bridge, LA 70517  
Phone (337) 332-4020  
Fax (337) 332-2867

133 East Waddil  
Marksville, LA 71351  
Phone (318) 253-9252  
Fax (318) 253-8681

1234 David Drive, Suite 105  
Morgan City, LA 70380  
Phone (985) 384-2020  
Fax (985) 384-3020

408 W. Cotton Street  
Ville Platte, LA 70586  
Phone (337) 363-2792  
Fax (337) 363-3049

332 W. Sixth Avenue  
Oberlin, LA 70655  
Phone (337) 639-4737  
Fax (337) 639-4568

200 South Main Street  
Abbeville, LA 70510  
Phone (337) 893-7944  
Fax (337) 893-7946

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chez Hope, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance and other matters with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of management and others within the organization and is not intended to be and should not be used by anyone other than specified parties. However, under the provisions of Louisiana Revised Statutes 24:513 and 44:6, this report is a matter of public record and its distribution is not limited.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
October 5, 2005

CHEZ HOPE, INC.

Summary Schedule of Audit Results and Findings  
Year Ended June 30, 2005

Part I. Summary of Auditor's Results

An unqualified report was issued on Chez Hope, Inc.'s financial statements as of and for the year ended June 30, 2005.

A reportable condition in internal control was disclosed by the audit of the financial statements and the condition is considered to be a material weakness.

No instances of noncompliance material to the financial statements were disclosed.

A management letter was not issued.

Part II. Findings which are required to be reported in accordance with *Government Auditing Standards*

A. Internal Control Findings-

2005-01 - Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

*"Internal control is a process – effected by an entity's board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.*

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

B. Compliance Findings –

There were no findings to be reported under this section.

CHEZ HOPE, INC.

Summary Schedule of Audit Results and Findings (continued)  
Year Ended June 30, 2005

Part III. Findings and questioned costs for federal awards required to be reported in accordance with Office of Management and Budget Circular A-133:

No items are applicable to this section.

CHEZ HOPE, INC.

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2005

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
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Section I - Internal control and compliance material to the financial statements.

Internal Control

04-01	2004	Inadequate segregation of functions within the accounting system.	No	See corrective action plan for current year findings
04-02	2003	Expenditures selected for testing did not evidence adequate supporting documentation or documentation could not be located or reproduced.	Yes	N/A
04-03	2004	Lease agreements are not reduced to writing.	Yes	N/A
04-04	2003	Expenditures selected for testing did not have a purpose/client number or appeared to lack a program purpose.	Yes	N/A
04-05	2004	An inventory of general fixed assets is not adequately maintained and periodically reconciled.	Yes	N/A

Compliance

No items are applicable to this section.

CHEZ HOPE, INC.

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2005

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken

Section Ia - Other Internal control and compliance

Internal Control

04-06	2004	Penalties for late payment of payroll taxes were incurred.	Yes	N/A
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Compliance

No items are applicable to this section.

Section II - Management letter

No items are applicable to this section.

CHEZ HOPE, INC.

Corrective Action Plan for Current Year Findings  
Year Ended June 30, 2005

Ref. No.	Description of Finding	Corrective Action Planned	Contact Person(s)	Anticipated Completion Date
<u>Section I - Internal control and compliance material to the financial statements.</u>				
<u>Internal Control</u>				
2005-001	Accounting and financial functions are not adequately segregated.	Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.	Sami Riley, Director	N/A

Compliance

No items are applicable to this section.

Section Ia - Other Internal control and compliance

Internal Control

No items are applicable to this section.

Compliance

No items are applicable to this section.

Section II - Management letter

No items are applicable to this section.